

Message Text

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ACTION EB-07

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FM AMEMBASSY BRIDGETOWN
TO SECSTATE WASHDC PRIORITY 8730
USDOC WASHDC PRIORITY
INFO AMEMBASSY CARACAS
AMEMBASSY GEORGETOWN
AMEMBASSY KINGSTON
AMEMBASSY PORT OF SPAIN

UNCLAS BRIDGETOWN 0624

E.O. 11652: N/A

TAGS: ETRN EAIR BB AC

SUBJ: CIVAIR: PM OPTIMISTIC RE LIAT

REF: BTN 598 AND PREVIOUS

SUMMARY

PM BARROW DECLARED THAT FUTURE OF LIAT IS NOT UNCERTAIN AND THAT ONLY UNRESOLVED ISSUE CONCERNING CARRIER IS GOTT PARTICIPATION. BARROW DENIED NEWS REPORTS THAT LIAT MEETING HAD "COLLAPSED" AND SAID TALKS HAD MANAGED TO RESOLVE INTERIM MANAGEMENT PROBLEMS AND HAD REFERRED ISSUED OF ROUTE REDUCTION TO STATES CONCERNED. ACCORDING TO PM, LIAT NOW HAS AT LEAST TWO MDC'S (BARBADOS AND JAMAICA) TO GUARANTEE ITS CDB LOAN AND HAS MANAGED TO OBTAIN 90-DAY MORITORIUM ON REPAYMENTS TO GOV. BEST COURSE FOR USG IS TO CONTINUE TO LET THOSE CONCERNED ADDRESS PRINCIPAL ISSUES AND ENCOURAGE CDB TO REQUIRE THAT ISLANDS MAKE LIAT OPERATIONS VIABLE BEFORE ACTING ON LOAN APPLICATION.
END SUMMARY.

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1. IN PRESS CONFERENCE EVENING OF APRIL 15, PM BARROW DECLARED

FLATLY THAT FUTURE OF LIAT IS NOT UNCERTAIN AND THAT PRESENT MANAGEMENT "INTENDS TO OPERATE INTRA-REGIONAL CARRIER FOR BENEFIT OF TOURIST INDUSTRY AND TERRITORIES CONCERNED". BARROW, DENYING NEWS REPORTS THAT RECENT LIAT TALKS HAD "COLLAPSED", DECLARED THAT ONLY UNCERTAINTY NOW CONCERNING LIAT WAS WHETHER GOTT WOULD PARTICIPATE. BARROW DECLARED THAT LIAT'S AUTHORIZED SHARE CAPITAL OF US\$2.5 MILLION, WELL IN EXCESS OF BWIA'S \$1.5 MILLION, WAS SUFFICIENT TO PERMIT CONTINUED OPERATIONS EVEN IN ABSENCE OF FURTHER FINANCING FROM GOTT OR OTHERS. BARROW ALSO DISCLOSED THAT GOVT OF JAMAICA (GOJ) HAD AGREED TO ACT AS CO-GUARANTOR OF POSSIBLE CDB LOAN OF \$5 MILLION AND THAT THIS DEVELOPMENT HAD PLACED LIAT IN MUCH STRONGER POSITION THAN PREVIOUSLY. BARROW SAID THAT GOJ HAD ORIGINALLY AGREED TO PARTICIPATE IN LIAT VENTURE WITH TOKEN CONTRIBUTION ONLY AS FRIENDLY GESTURE, SINCE CARRIER DID NOT SERVE JAMAICA. SINCE BARBADOS BY ITSELF WAS NOT IN POSITION TO GUARANTEE ANY LOAN, GOTT PARTICIPATION HAD BEEN CRITICAL FOR CONTINUATION OF LIAT SERVICES. HOWEVER, PM NOTED, RECENT GOJ DECISION TO PARTICIPATE MORE MEANINGFULLY WITH GUARANTEE HAD ALLEVIATED SITUATION AND MADE GOTT PARTICIPATION UNNECESSARY, ALTHOUGH TERRITORIES INVOLVED WOULD CONTINUE TO WELCOME GOTT INVOLVEMENT.

2. BARROW STATED THAT MAIN ACCOMPLISHMENTS OF RECENT TALKS WERE:

A) INTERIM MANAGEMENT ARRANGEMENTS: MEETING RESOLVED INTERIM MANAGEMENT ARRANGEMENTS BY APPOINTMENT OF GEOFFREY GILBERT AS MANAGING DIRECTOR (REFTEL). PM DISCLOSED THAT ULTIMATE OBJECTIVE WAS TO GROOM A WEST INDIAN TO TAKE OVER TOP JOB.

B) ROUTE REDUCTIONS: ATTENDEES AT TALKS HAD BEEN PRESENTED WITH PLAN FOR ELIMINATING FEEDER SERVICES TO SMALLER ISLANDS (CONOUAN, CARRIACOU, PALM, NEVIS, MUSTIQUE, ETC.) AND HAD BEEN TOLD THAT SUBSIDIZATION BY TERRITORY DIRECTLY CONCERNED WOULD BE NECESSARY IF THESE UNPROFITABLE ROUTES WERE TO BE CONTINUED. ATTENDEES ARE TO CONSIDER MATTER AND COME UP WITH POSITION BY NEXT LIAT MEETING MAY 15.

C) NEXT MEETING: GROUPS DECIDED TO MEET NEXT ON MAY 15 IN PORT OF SPAIN ON GROUNDS THAT IT WOULD THEN BE DIFFICULT FOR UNCLASSIFIED

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GOTT TO AVOID PARTICIPATING AT MINISTERIAL LEVEL.

D) CDB LOAN: BARROW STATED THAT CDB PRESIDENT DEMAS HAD INFORMED HIM THAT LIAT'S LOAN APPLICATION WOULD COME BEFORE BANK'S BOARD OF DIRECTORS' "THIS MONTH".

E) EQUIPMENT: PM SAID THAT " IN MY OPINION" LIAT WOULD DO WELL TO SELL ITS AVRO 48'S AT AN EARLY DATE AND RE-EQUIP

WITH AIRCRAFT SUCH AS DE HAVILAND DHC-7 WHICH OFFERS MORE ECONOMY OF OPERATION. HE STATED THAT, ALTHOUGH MATTER HAD NOT BEEN DISCUSSED, A LOAN FROM CIDA MAY BE POSSIBLE.

3. COMMENT: PM'S REMARKS WOULD INDICATE THAT LAST WEEK'S MEETING DID ACCOMPLISH USEFUL PURPOSE. IF HIS REMARKS RE FINANCING ARE ACCURATE, LIAT'S PROSPECTS HAVE DEFINITELY TAKEN AN UPWARD TURN. CARRIER HAS, WE UNDERSTAND, OBTAINED 90-DAY MORITORIUM ON GOV LOAN WHICH WOULD MAKE REPAYMENT DUE AUG 1, 1975. MATTER OF CDB LOAN IS, HOWEVER, STILL VERY MUCH UP IN AIR AND CDB PRESIDENT DEMAS IS STILL AWAITING RESPONSE TO SERIES OF QUESTIONS WHICH BANK CONSIDERS VITAL TO FURTHER CONSIDERATION OF LOAN APPLICATION. PM'S REFERENCE TO BOARD OF DIRECTORS IS PUZZLING SINCE NEXT B/D MEETING IS NOT SCHEDULED UNTIL LATE MAY AND, GIVEN DIFFICULTY OF RESOLVING ROUTE REDUCTION ISSUE, IT DOES NOT SEEM LIKELY THAT LIAT WILL BE ABLE TO PROVIDE CDB WITH REQUIRED INFORMATION BEFORE THAT TIME.

4. ROUTE REDUCTION MATTER WILL BE DIFFICULT TO RESOLVE. TERRITORIES CONCERNED DID RECEIVE COPY OF CANADIAN AVIATION CONSULTANTS (CANAC) STUDY IN JANUARY WHICH RECOMMENDED ELIMINATION OF "POLITICAL ROUTES" IN ABSENCE OF SUBSIDIES. NEVERTHELESS, THEY DID NOTHING TO RESOLVE ISSUE IN INTERIM AND CAME UP WITH NO ALTERNATIVE PLAN TO PRESENT AT LAST WEEK'S MEETING. MOREOVER, FACING UP TO PROBLEM REQUIRES CONSIDERABLE COURAGE GIVEN GENERAL TENDENCY OF DEPENDENCIES TO COMPLAIN ABOUT TREATMENT THEY RECEIVE.

5. ISLANDS MAY AT LAST BE COMING TO GRIPS WITH PRINCIPAL ISSUES INVOLVED IN LIAT'S SURVIVAL. GOJ GUARANTEE WOULD CERTAINLY IMPROVE PROSPECTS FOR CDB LOAN, AND WE UNDERSTAND GOTT MAY ALSO BE WILLING TO ACT IN SUCH A CAPACITY. BEST COURSE OF ACTION FOR USG WOULD APPEAR TO BE TO CONTINUE TO ALLOW EASTERN UNCLASSIFIED

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CARIBBEAN COUNTRIES TO RESOLVE ISSUES RELATING TO LIAT WHILE AT SAME TIME ACTING WITH BRITISH AND CANADIANS TO ENCOURAGE CDB TO ENSURE THAT ISLANDS TAKE ACTIONS NECESSARY TO PLACE LIAT OPERATIONS ON VIABLE BASIS BEFORE MAKING DECISION ON LOAN APPLICATION. END COMMENT.

6. PM'S REMARKS RE LIAT EQUIPMENT ARE PUZZLING SINCE CANAC REPORT RECOMMENDED RETENTION OF AVRO'S. CAPITAL EXPENSE AND DEPRECIATION OF NEW EQUIPMENT WOULD APPEAR TO BE UNWISE GIVEN CARRIER'S SHAKY PRESENT FINANCES. CANADIAN HIGH COMMISSION HERE SHARES THIS VIEW. NEVERTHELESS, IT MAY BE USEFUL IF LIAT COULD RECEIVE OPERATING SPECIFICATIONS AND BROCHURES OF ANY US-MADE EQUIPMENT COMPARABLE TO DHC-7 FOR FUTURE REFERENCE.

ACTION REQUESTED: WOULD APPRECIATE USDOC TAKING STEPS TO INFORM

US SUPPLIERS TO SEND BROCHURES TO (A) MANAGING DIRECTOR, LIAT,
COOLIDGE AIRPORT, ANTIGUA; (B) IAN ARCHER, (LIAT) CIVIL
AVIATION DIVISION, GOVT OF BARBADOS HEADQUARTERS, BAY STREET,
BRIDGETOWN, BARBADOS.

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